



RURAL TELEPHONE
FINANCE
COOPERATIVE

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Herndon, Virginia 22071-3025

RECEIVED

AUG 30 1996

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

August 30, 1996

Mr. William F. Caton
Secretary
Federal Communications Commission
1919 M. Street, N.W.
Washington, D.C. 20554

DOCKET FILE COPY ORIGINAL

Re: Geographic Partitioning and Spectrum Disaggregation by CMRS Licensees, WT
Docket 96-148

Dear Mr. Caton:

Enclosed is the original and nine copies of the reply comments of the Rural Telephone
Finance Cooperative in the above referenced proceeding.

Sincerely,

Lawrence Zawalick
Vice President of Business Development

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**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

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**FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY**

In the Matter Of)
)
Geographic Partitioning and Spectrum)
Disaggregation by Commercial Mobile)
Radio Services Licensees)

WT Docket No. 96-148

**REPLY COMMENTS OF
RURAL TELEPHONE FINANCE COOPERATIVE**

The Rural Telephone Finance Cooperative (RTFC) hereby submits its reply to the comments filed August 15, 1996 in the above referenced proceeding concerning modification of the Commission's broadband personal communications service (PCS) rules to expand geographic partitioning provisions and permit spectrum disaggregation in the near term.

RTFC is a privately funded, member-owned, cooperative finance organization that provides financing exclusively to America's rural telecommunications industry. RTFC supplies member rural telecommunications providers with alternative and complementary sources of financing to traditional federal lending sources such as the Rural Utilities Service and the Rural Telephone Bank. At the present time RTFC has extended over \$1.5 billion in short, intermediate and long term financing commitments to its over 430 telephone company members and their affiliates.

Availability of PCS service in rural areas is an essential goal. Practically speaking, in rural areas it should even have primacy over important considerations such as ownership diversity. Rural Americans deserve the same advanced telecommunications offerings which urban residents enjoy. RTFC believes the Commission should assure itself that any changes it makes to its PCS policies further the goal of availability of rural PCS. A key component of the provision of rural PCS is financing. RTFC would like to take this opportunity to raise an issue crucial to the financing of rural PCS service in the entrepreneurs' blocks.

Lender Security

The Notice of Proposed Rulemaking's discussion of a continued prohibition of complete license transfers from a C or F block licensee to a non-entrepreneur raises an issue that has caused RTFC concern since our initial consideration of PCS system financing. In the event of a default by a C or F block license holder on its construction loan, the lender does not appear to have the ability to foreclose and operate the system as a going concern. As an entity that is not eligible to hold the license, the lender would appear to be forced to sell the system's assets for salvage value. This has a very chilling effect on PCS system lending and negatively affects the quality of these credits.

The preferable solution in such distress situations would be for the lender to be able to step in and operate the system as a going concern until an eligible buyer could be found. This would increase the likelihood of the continuation of payments to the government on

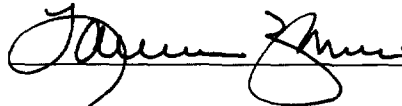
the license and assure continuation of service to subscribers. We urge the Commission to address the standing of non-government lenders to C and F block licensees.

Conclusion

The proposed rule changes are intended to enable more entities to participate in providing PCS. Financing of system construction and operation is essential to any licensee or sub-licensee. RTFC urges the Commission to address non-government lender standing in order to assure that financing for system construction and working capital is available at affordable rates and that PCS therefore, actually is available to rural Americans.

Respectfully submitted,

RURAL TELEPHONE FINANCE COOPERATIVE

A handwritten signature in dark ink, appearing to read 'Lawrence Zawalick', is written over a horizontal line.

Lawrence Zawalick
Vice President of Business Development

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August 30, 1996